

## Electricity market transnistria

Electricity consumption in Moldova has been relatively stable for years despite steady economic growth. Moldova's largest industries are not very energy-intensive so that the residential sector consumes 40% of electricity, which is significantly above the European average of 30%. Therefore, affordability of electricity prices is a key factor in energy policy making. Furthermore, the bulk of electricity is consumed by households during the day while consumption halves during the night.

Transnistria receives gas free of charge from Gazprom so that the cost for electricity production at MGRES and consequently prices for consumers in Moldova are very low. However, the dependence on only one source of electricity production not under control of Moldovan authorities poses risks in terms of energy security. Thus, a diversification of electricity supply is needed to reduce the dependence on MGRES.

In the long-term, Moldova can expand its domestic electricity generation capacity, particularly with renewable energies. Currently, renewable capacity (excl. hydro) is at 104 MW and covers 2% of total right-bank Moldovan electricity supply. To promote renewable energy development, Moldova offers three types of support schemes: (1) net-metering (2) feed-in tariffs, and (3) government auctions.

However, an increase of variable renewable energy in the electricity system requires sufficient balancing capacity. Currently, only MGRES can provide balancing for right-bank Moldova, which is difficult to implement due to insufficient enforcement capacity of the regulator, ANRE, in the Transnistrian region. Therefore, Moldova is also exploring alternative options for balancing capacity, such as combined-cycle gas turbines.

Competition on the Moldovan wholesale electricity market is limited mostly to supply from MGRES and imports from Ukraine. There is no market operator and no spot markets (day-ahead, intraday) in place. In previous years, there were annual tenders for electricity supply, which MGRES usually won due to their low production costs. For example, their May 2022 bid was EUR 55/MWh, which puts MGRES well below wholesale prices in neighbouring countries (EUR 74/MWh in Ukraine and EUR 210/MWh in Romania).

The dominant position of MGRES keeps prices low for Moldovan consumers, but the power plant is also a player that does not fully operate on market principles. To improve competition in the Moldovan electricity market, an intermediary objective is market coupling with Ukraine. The final objective would be full EU energy integration, which includes the market coupling with ENTSO-E enabling access for Romania and other EU suppliers.

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